

**NATIONAL BANK OF OMAN (SAOG) – UAE
BRANCHES**

FINANCIAL STATEMENTS

31 DECEMBER 2025

National Bank of Oman (SAOG), UAE Branches

**Financial statements
31 December 2025**

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REPORT OF THE MANAGEMENT

We are pleased to submit this report and the audited financial statements of National Bank of Oman (SAOG) – United Arab Emirates Branches (the “Branches”) for the year ended 31 December 2025.

Incorporation and registered offices

National Bank of Oman SAOG (the “Bank” or the “Head Office”) was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail banking, wholesale banking and investment banking services. The Bank in United Arab Emirates (“UAE”) operates with two branches i.e. Abu Dhabi and Dubai (the “Branches”) under a commercial bank license granted by the UAE Central Bank. The registered office of the Branches is P.O. Box 3822, Abu Dhabi, UAE. Abu Dhabi Branch started its operation in 1976. Dubai Branch started its operation in December 2013.

Financial position and results

The financial position and results of the Branches for the year ended 31 December 2025 are set out in the accompanying financial statements.

The Branches recorded a total operating income of AED 63.07 million during the year ended 31 December 2025 (2024: AED 60.92 million) and reported a net profit of AED 36.62 million for the year ended 31 December 2025 (2024: a net profit of AED 15.12 million).

Signed on behalf of the Management.



Niraj Kumar
Country Head - UAE





Independent auditor's report

To the Directors of National Bank of Oman (SAOG) in respect of its UAE Branches

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Bank of Oman (SAOG) – UAE Branches (the “Branches”) as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Branches' financial statements comprise:

- the statement of financial position as at 31 December 2025;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net residual attributable to head office for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Branches in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Independent auditor's report (Continued)

To the Directors of National Bank of Oman (SAOG) in respect of its UAE Branches

Our audit approach

Overview

Key Audit Matters	Measurement of expected credit losses on loans and advances to customers
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Branches, the accounting processes and controls, and the industry in which the Branches operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent auditor's report (Continued)

To the Directors of National Bank of Oman (SAOG) in respect of its UAE Branches

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Measurement of expected credit losses on loans and advances to customers</p> <p>We focused on the Expected Credit Losses ('ECL') for loans and advances to customers due to the materiality of these balances and the associated allowances for ECL. In addition, the compliance with IFRS in this area involves management judgement and is subject to a high degree of estimation uncertainty.</p> <p>As disclosed in note 6, the allowance for ECL for loans and advances to customers as at 31 December 2025, is AED 70.46 million and the charge in the statement of comprehensive income is AED 440 thousand. Management exercise significant judgments and make a number of assumptions in developing its ECL model which is determined as a function of the assessment of the Probability of Default ("PD"), determination of Loss Given Default ("LGD") and Exposure At Default ("EAD"), adjusted for the forward-looking information associated with the underlying funded exposures subject to ECL. In case of defaulted exposures, Management exercise judgment to evaluate and estimate the expected future cash flows for each exposure. This assessment guides decisions on whether to reschedule or restructure the exposure. This evaluation also takes into consideration the value of collateral securing these exposures. The Branches' impairment policy under IFRS 9 is presented in Note 2 to the financial statements.</p> <p>We considered this as a key audit matter considering the exercise of significant judgement, use of estimates including use of forward-looking macroeconomic data and complex models, and as it has a material impact on the financial statements of the Branches.</p>	<p>We performed the following audit procedures on the computation and reasonableness of the ECL included in the Branches' financial statements for the year ended 31 December 2025:</p> <ul style="list-style-type: none">• We obtained an understanding of the design and tested the operating effectiveness of the relevant controls established by the Branches and those operated centrally, including IT general controls and application controls, for the estimation of ECL, including calculation of days past due, periodic review of customer risk ratings and the process of preparation and review of credit proposals.• For a sample of exposures, we checked the appropriateness of the Branches' application of the staging criteria, including the basis for movement between stages.• We involved our internal experts to assess the following areas: - Evaluation of the appropriateness of the accounting policies adopted by the Branches based on the requirements of IFRS 9;- Reasonableness and appropriateness of the methodology and assumptions used in calculation of various components of ECL modelling including the computation of Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) for the models selected for testing.- Reasonableness of the key assumptions and judgements made by Management in assessing the definition of default, the application of Significant Increase in Credit Risk (SICR) and staging criteria, determining the historic and forward-looking information of macroeconomic data in estimating the ECL components and use of probability weighted scenarios.- For a sample of customers, recalculation of PD, LGD and EAD and test of mathematical accuracy and appropriateness of discounting used in the ECL calculation.



Independent auditor's report (Continued)

To the Directors of National Bank of Oman (SAOG) in respect of its UAE Branches

Our audit approach (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Measurement of expected credit losses on loans and advances to customers (continued)	<ul style="list-style-type: none">• We tested the completeness and the accuracy of the data used in the calculation of ECL.• We assessed, on a sample basis, that reported exceptions to policies and procedures, if any, as outlined in the Board risk appetite statement were approved by the Board at the Head office and the approval process was formally documented.• For a sample of new / renewed corporate credit facilities, we checked that reported exceptions to limits, if any, as set out in the Board approved delegation of authority matrix, were approved by the Board at the Head office or its approved delegate and the approval process was formally documented.• For a sample of Stage 3 corporate customers, we assessed:<ul style="list-style-type: none">- the appropriateness of discounted cash flows, including the discount rates used and the probable scenario analysis; and- the robustness of the Branches' processes and controls with respect to the valuation and enforceability of collateral, including the underlying assumptions.• We performed an independent credit assessment for a sample of wholesale customers, by assessing the quantitative and qualitative factors including assessments of the financial performance of the customers, the source of repayments and its history, and other relevant risk factors.• We assessed the adequacy of the disclosures made in the Branches' financial statements around ECL as required by IFRS Accounting Standards.

Other information

Management is responsible for the other information. The other information comprises the Report of the Management (but does not include the financial statements and our auditor's report thereon). Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent auditor's report (Continued)

To the Directors of National Bank of Oman (SAOG) in respect of its UAE Branches

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree-Law No. (6) of 2025, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branches' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Branches or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branches' financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branches' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Independent auditor's report (Continued)

To the Directors of National Bank of Oman (SAOG) in respect of its UAE Branches

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branches' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branches to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree-Law No. (6) of 2025, we report that we have obtained all the required information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers Limited Partnership Dubai Branch
31 March 2026

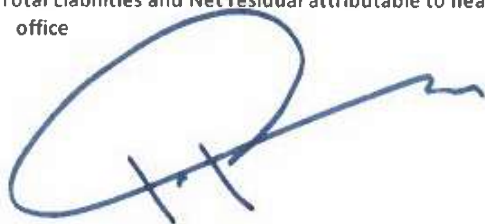
Shireen Sakr
Registered Auditor Number 5591
Dubai, United Arab Emirates

National Bank of Oman (SAOG), UAE Branches

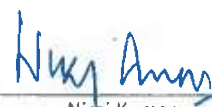
STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Assets			
Cash and balances with the UAE Central Bank	4	898,154	764,693
Due from banks	5	35,611	92,591
Due from Head Office and overseas branches	25	60,330	60,985
Customers' indebtedness for acceptances	27.a	540,927	364,840
Loans and advances to customers	6	1,351,029	1,007,236
Investment securities	7	-	83,007
Property and equipment	8	8,766	10,057
Deferred tax asset	14	8,769	13,985
Other assets	9	3,190	4,035
Total assets		2,906,776	2,401,429
Liabilities			
Due to banks	10	468,799	-
Due to Head Office and overseas branches	25	25,293	78,985
Deposits from customers	11	1,473,488	1,612,125
Liabilities under acceptances	27.b	541,165	364,840
Other liabilities	12	24,491	28,910
Total liabilities		2,533,236	2,084,860
Net residual attributable to head office			
Allocated capital	15	390,375	390,375
Legal reserve	15	38,312	34,650
Accumulated losses		(100,087)	(159,237)
Fair value reserve		-	15,524
Impairment reserve	21.2	17,640	7,957
		346,240	289,269
Funding from Head office			
Placement from Head Office	16,25	27,300	27,300
Net residual attributable to head office		373,540	316,569
Total Liabilities and Net residual attributable to head office		2,906,776	2,401,429



Abdullah Zahran Al Hinali
Chief Executive Officer



Niraj Kumar
Country Head, UAE

The attached notes 1 to 32 form an integral part of these financial statements. The independent auditors' report on financial statements is set out on pages 2 to 7.

National Bank of Oman (SAOG), UAE Branches

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000
Operating income			
Interest income	17	102,344	105,536
Interest expense	17	(61,451)	(58,231)
Net interest income	17	40,893	47,305
Net fees and commission income	18	9,745	4,202
Net foreign exchange gain		4,053	2,415
Other operating income	19	8,382	6,994
Total operating income		63,073	60,916
Operating expenses			
Staff costs	20	(10,262)	(10,081)
Depreciation	8	(3,247)	(3,331)
Other operating expenses	20.1	(9,854)	(10,697)
Total operating expenses		(23,363)	(24,109)
Profit from operations before impairment losses		39,710	36,807
Net impairment release/(charge)	21.2.ii	5,541	(1,693)
Profit before income tax		45,251	35,114
Income tax, net	13,14	(8,628)	(19,991)
Net Profit for the year		36,623	15,123
Other comprehensive income that will not be reclassified to profit			
Net gain on FVOCI securities	7	20,348	15,524
Other comprehensive income for the year		20,348	15,524
Total comprehensive income for the year		56,971	30,647

The attached notes 1 to 32 form an integral part of these financial statements. The independent auditors' report on financial statements is set out on pages 2 to 7.

National Bank of Oman (SAOG), UAE Branches

STATEMENT OF CHANGES IN NET RESIDUAL ATTRIBUTABLE TO HEAD OFFICE

For the year ended 31 December 2025

	Allocated capital AED'000	Legal reserve AED'000	Impairment reserve – general AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000	Placement from Head Office attributable to (Note 16) AED'000	Total Net residual attributable to head office AED'000
At 1 January 2025	390,375	34,650	7,957	15,524	(159,237)	289,269	27,300	316,569
Net profit for the year	-	-	-	-	36,623	36,623	-	36,623
Other comprehensive income for the year (Note 7)	-	-	-	20,348	-	20,348	-	20,348
Total comprehensive income for the year	-	-	-	20,348	36,623	56,971	-	56,971
Transfer to Accumulated losses upon disposal	-	-	-	(35,872)	35,872	-	-	-
Transfer to Legal Reserve (Note 15)	-	3,662	-	-	(3,662)	-	-	-
Transfer to Impairment reserve – general (Note 21.2)	-	-	9,683	-	(9,683)	-	-	-
At 31 December 2025	390,375	38,312	17,640	-	(100,087)	346,240	27,300	373,540
At 1 January 2024	390,375	33,138	1,507	-	(166,398)	258,622	27,300	285,922
Net profit for the year	-	-	-	-	15,123	15,123	-	15,123
Other comprehensive income for the year (Note7)	-	-	-	15,524	-	15,524	-	15,524
Total comprehensive income for the year	-	-	-	15,524	15,123	30,647	-	30,647
Transfer to Legal Reserve (Note 15)	-	1,512	-	-	(1,512)	-	-	-
Transfer to Impairment reserve – general (Note 21.2)	-	-	6,450	-	(6,450)	-	-	-
At 31 December 2024	390,375	34,650	7,957	15,524	(159,237)	289,269	27,300	316,569

The attached notes 1 to 32 form an integral part of these financial statements. The independent auditors' report on financial statements is set out on pages 2 to 7.

National Bank of Oman (SAOG), UAE Branches

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

	Notes	2025 AED'000	2024 AED'000 (Restated)*
Cash flows from operating activities			
Profit before income tax		45,251	35,114
<i>Adjustments for:</i>			
Depreciation	8	3,247	3,331
Net impairment charges	21.2	(467)	2,328
Provision for employees' end of service benefits	12	390	695
Dividend Income	19	(6,452)	(4,352)
		<u>41,969</u>	<u>37,116</u>
<i>Changes in:</i>			
Due from banks and head office		46,202	(1,889)
Loans and advances to customers		(343,307)	(242,508)
Customers' indebtedness for acceptances		(176,325)	(337,385)
Other assets		845	(1,458)
Liabilities under acceptances		176,325	337,385
Due to banks		468,799	(132,228)
Due to Head Office and overseas branches		(53,692)	62,001
Deposits from customers		(138,637)	575,281
Other liabilities		(3,065)	10,006
		<u>19,114</u>	<u>306,321</u>
Income tax paid	13	(2,807)	(783)
End of service benefits paid	12	(355)	(436)
Net cash generated from operating activities		<u>15,952</u>	<u>305,102</u>
Cash flows from investing activities			
Purchase of property and equipment	8	(1,957)	(5,377)
Dividend income	19	6,452	4,352
Purchase of investment securities	7	(11,867)	(67,482)
Proceeds from sale of investment securities	7	115,222	-
Net cash generated from / (used in) from investing activities		<u>107,850</u>	<u>(68,507)</u>
Cash flows from financing activity			
Payment of lease liabilities	12	(1,755)	(1,683)
Net cash used in financing activity		<u>(1,755)</u>	<u>(1,683)</u>
Net increase in cash and cash equivalents		122,047	234,912
Cash and cash equivalents at 1 January		<u>815,391</u>	<u>580,479</u>
Cash and cash equivalents at 31 December	24	<u>937,438</u>	<u>815,391</u>

There are no significant non-cash items to be disclosed for the year ended 31 December 2025 and 31 December 2024.

*Refer to note 32 for details on the restatement of comparative figures.

The attached notes 1 to 32 form an integral part of these financial statements. The independent auditors' report on financial statements is set out on pages 2 to 7.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

1 Legal status and Principal activities

National Bank of Oman SAOG (the "Bank" or the "Head Office") was established in the Sultanate of Oman in 1973 as a joint stock company and is engaged in retail banking, wholesale banking and investment banking services. The Bank in the United Arab Emirates ("UAE") operates with two branches i.e. Abu Dhabi and Dubai (the "Branches") under a commercial bank licence granted by the UAE Central Bank. The registered office of the Branches is P.O. Box 3822, Abu Dhabi, UAE. Abu Dhabi Branch started its operation in 1976. Dubai Branch started its operation in December 2013.

The principal activities of the Branches are granting of loans, advances and the provision of other commercial banking services.

The Branches employed 30 employees as of 31 December 2025 (31 December 2024: 31 employees).

The financial statements were authorised for issue by the Branches' management on 31 March 2026.

2 Basis of preparation

2.1.1 Basis of measurement

The financial statements have been prepared on a historical cost basis except for investments at FVOCI which are measured at fair value and recognised assets and liabilities that are hedged are measured at fair value in respect of the risk that is hedged.

2.2 Functional and presentation currency

These financial statements have been presented using the UAE Dirham ("AED"), which is the functional currency of the Branches. Financial information presented in AED has been rounded to nearest thousand except when otherwise stated.

2.3 Statement of compliance

The financial statements of the Branches have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), UAE Federal Decree-Law No.(6) of 2025 and applicable requirements of the United Arab Emirates Laws.

2.4 Significant accounting judgments and estimates

The Branches make estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

2.4.1 ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 21. The calculation of the Branches ECL under IFRS 9 requires the Branches to make a number of judgements, assumptions and estimates. The most significant are set out below:

- 1) Segmentation of financial assets for the ECL assessment purposes;
- 2) Establishing the criteria for assessing if there has been a significant increase in credit risk;
- 3) Determining the methodology for incorporating forward-looking information into the measurement of ECL;

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

2 Basis of preparation (continued)

2.4 Significant accounting judgments and estimates (continued)

2.4.1 ECL Measurement (continued)

- 4) Selection of forward-looking macroeconomic scenarios and their probability weightings;
- 5) Selection of appropriate models (PD, LGD and EAD) for the measurement of ECL; and
- 6) Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

Refer note 21.2 which describes the assumptions used in determining ECL and provide an indication of the sensitivity of the result to the application of different weightings being applied to different economic assumptions.

The Branches regularly review the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

2.4.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Currently the branches do not hold any unquoted investments.

2.4.3 Impairment losses on loans and advances

The Branches review their individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the branches make judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risks.

2.4.4 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Branches establish provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Branches. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

2 Basis of preparation (continued)

2.4 Significant accounting judgments and estimates (continued)

2.4.5 Going Concern

The management has made an assessment of the Branches' ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The Branches continue to maintain a strong capital base with the support of the Head Office. The Head Office during the year 2019 infused capital of AED 65 million in cash. The capital adequacy ratio of the Branches as at 31 December 2025 is 23 % (2024: 32%), which is higher than the regulatory requirement of 10.5% (2024: 10.5%). Management believes that it has adequate liquidity and funding in order to meet its cash flow requirements as and when these fall due. In addition, the Branches' manage its capital to ensure that it will be able to continue as a going concern while maximizing the return to its stakeholders. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Branches' ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.5 Standards, amendments and interpretations effective in 2025 and relevant for the Branches' operations

For the year ended 31 December 2025, the Branches have adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2025. The following amendments to existing standards and framework have been applied by the Bank in preparation of these financial statements.

- Amendments to IAS 21 - Lack of Exchangeability (effective date - 1 Jan 2025)

The amendments listed above did not have any impact on the amounts recognised in prior and current periods and are not expected to significantly affect the future periods.

2.6 Standards issued but not yet effective

A number of new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2026 or later, and which the Bank has not early adopted.

- Amendments to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments – (effective date - 1 January 2026)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective date - 1 January 2027)
- IFRS 18 Presentation and Disclosure in Financial Statements (effective date - 1 January 2027)
- Annual improvements to IFRS - Volume 11 – (effective - 1 January 2026)
- Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity – (effective date - 1 January 2026)
- Amendment to IAS 21 - Translation to a Hyperinflationary Presentation Currency – (effective date - 1 Jan 2027)

The Branches is evaluating the impact on future financial statements, if any, of adopting these pronouncements.

3 Material accounting policies

The Branches have consistently applied the following accounting policies to all periods presented in these financial statements.

3.1 Valuation of financial instruments

All financial instruments are initially recognised at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.1 Valuation of financial instruments (continued)

valuation technique that uses only data from observable markets, the branches recognises the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognised in the income statement over the life of the transaction, until the transaction matures, is closed out, the valuation inputs become observable or the Branches enter into an offsetting transaction.

3.1.1 Financial instruments – Initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an Expected Credit Loss (ECL) allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

3.1.2 Measurement categories of financial assets and liabilities

The Branches have applied IFRS 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost (AC).

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments at the fair value.

3.2 Financial assets and liabilities

3.2.1 Due from banks, Loans and advances to customers, and Investment Securities

The Branches measure due from banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Branches make an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.2 Financial Assets and Liabilities (continued)

3.2.1 Due from Banks, Loans and advances to customers, financial investments (continued)

Business model assessment (continued)

- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branches stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Branches original expectations, the Branches do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branches consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branches consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Branches claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Branches also hold a portfolio of long-term fixed rate loans for which the Branches have the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Branches has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Contractual terms that introduce a more than de minimise exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.2 Financial assets and liabilities (continued)

3.2.2 Equity instruments at FVOCI

Upon initial recognition, the Branches occasionally elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 (Financial Instruments - Presentation) and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Branches benefit from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.2.3 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a group of financial liabilities, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVTPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

3.2.4 Financial guarantees, letters of credit and undrawn loan commitments

The Branches issue financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Branches liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, under IFRS 9 – an ECL provision.

The commission received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Branches are required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

3 Material accounting policies (continued)

3.2 Financial assets and liabilities (continued)

3.2.4 Financial guarantees, letter of credit and undrawn loan commitments (continued)

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 26.

3.2.5 Financial liabilities

Under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The amount presented separately in OCI related to changes in own credit risk of a designated financial liability at FVTPL are not recycled to profit or loss, even when the liability is derecognised and the amounts are paid. Instead, own credit gains and losses should be reclassified to retained earnings within equity upon derecognition of the relevant liability.

3.2.6 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

- (i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) hedges of a net investment in a foreign operation (net investment hedge).

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risks, the Bank applies hedge accounting for transactions which meet specified criteria. Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the statement of profit or loss and other comprehensive income within 'Other operating income'.

Fair value hedges

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivative is recognised in the profit or loss in other operating income. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the statement of financial position and is also recognised in the profit or loss in other operating income. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the recalculated EIR method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the profit or loss.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in equity in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in other operating income in the profit or loss.

3 Material accounting policies (continued)

3.2 Financial assets and liabilities (continued)

3.2.6 Derivative financial instruments and hedging activities (continued)

Cash flow hedges (continued)

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the profit or loss. When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the profit or loss.

As at 31 December 2025, the Branches have derivative instruments, including IRS and Forward foreign exchange contracts designated as hedging instruments.

3.3 Reclassifications

The Bank does not reclassify its financial assets subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets. Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets or liabilities in 2025 and 2024.

3.4 Derecognition of the financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Branches have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Branches have transferred substantially all the risks and rewards of the asset, or (b) the Branches have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Branches have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Branches continuing involvement in the asset. In that case, the Branches also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Branches retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Branches could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss for the year.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.5 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Branches evaluate whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Branches plan to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

Financial liabilities

The Branches derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification's. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.6 Impairment of financial assets

The Branches recognise loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments. The Branches measure loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition which they are measured as 12-month ECL.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3.6.1 Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Branches in accordance with the contract and the cash flows that the Branches expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Branches if the commitment is drawn down and the cash flows that the Branches expect to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Branches expect to recover.

3.6.2 Overview of the ECL principles

The Branches have been recording the allowance for expected credit losses for all financing exposure and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9 as they are carried at fair value.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL)), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12 month ECL).

The 12 month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12 month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Branches have established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Branches group its financing exposure into Stage 1, Stage 2, and Stage 3, as described below:

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.6 Impairment of financial assets (continued)

3.6.2 Overview of the ECL principles (continued)

Stage 1

When financing is first recognised, the Branches recognise an allowance based on 12 month ECLs. Stage 1 financing exposure also includes facilities where the credit risk has improved and the financing exposure has been reclassified from Stage 2.

Stage 2

When a financing exposure has shown a significant increase in credit risk since origination, the Branches record an allowance for the LTECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from Stage 3.

Stage 3

Financing exposure considered credit-impaired. The Branches record an allowance for the LTECLs.

At initial recognition of a financial asset, the Branches recognise a loss allowance equal to 12-month expected credit losses. After initial recognition, the three stages under the proposals would be applied as follows:

3.6.3 The calculation of ECLs

The Branches calculate ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that are expected to be received.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD – The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Branches would expect to receive, including from the realisation of any collateral, if any. It is usually expressed as a percentage of the EAD.

3.6.4 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision, in other liabilities; and
- where a financial instrument includes both a drawn and an undrawn component, and the Branches cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Branches present a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; in other liabilities.

3 Material accounting policies (continued)

3.6 Impairment of financial assets (continued)

3.6.5 Credit cards and other revolving facilities

The Branches product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Branches have the right to cancel and/or reduce the facilities with one day's notice. The Branches do not limit their exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period that reflects the Branches expectations of the customer behaviour, its likelihood of default and the Branches' future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Branches' expectations, the period over which the Branches calculate ECLs for these products, is five years for corporate and seven years for retail products.

3.7 Credit-impaired financial assets

At each reporting date, the Branches assess whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Branches on terms that the Branches would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Branches consider the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.
- The Branch also considers relevant regulatory requirements, in the context of the alignment of those requirements with IFRS, in the estimation of ECL in respect of Stage 3 exposures

3.8 Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Branches determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Branches procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.9 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with CBUAE and unrestricted deposits with CBUAE, balances with Banks and other financial institutions, treasury bills and money market placements, deposits and certificates of deposit maturing within three months of the date of acquisition. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3.10 Determination of fair values

A number of the Branches' accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Branches.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Branches use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Branches determine whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Branches analyse the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Branches' accounting policies. For this analysis, the Branches verify the major inputs applied in the latest valuation by agreeing the information in the Valuation computation to contracts and other relevant documents.

The Branches also compare each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.10 Determination of fair values (continued)

For the purpose of fair value disclosures, the Branches determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.11 Property and equipment

Property and equipment are recorded at cost or deemed cost.

3.11.1 Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment. Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised within other income in statement of profit or loss.

3.11.2 Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Branches. Ongoing repairs and maintenance are expensed as incurred.

3.11.3 Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

Capital work in progress are stated at cost and tested for impairment, if any. Depreciation is provided on a straight line basis over the estimated useful lives of all property and equipment other than capital work in progress.

Right-of-use assets are presented together with property and equipment in the statement of financial position (refer note 8). Right of use assets are depreciated on a straight line basis over the lease term.

The estimated useful lives of significant items of property and equipment are as follows:

- Leasehold improvements Over the lease terms 3 to 10 years
- Motor vehicles 4 years
- Furniture 3 to 10 years
- Equipment 5 to 20 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate at each statement of financial position date.

3.12 Deposits

All money market and customer deposits are carried at amortised cost using EIR.

3.13 Other Borrowed Funds

Other borrowings including subordinate private placements are recognised initially at fair value on transaction date. Borrowings are subsequently stated at amortised cost; any difference between proceeds, net of

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.13 Other Borrowed Funds (continued)

transaction costs, and the redemption value is recognised in the profit or loss over the period of the borrowings using EIR.

3.14 Taxation

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for individual subsidiaries in the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.15 Provisions

Provisions are recognised when the Branches have a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable and reliably measurable.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.16 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest and similar income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective

interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest and similar income and expense

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.16 Revenue recognition (continued)

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost. Interest expense presented in the statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortised cost and interest expense on lease liabilities.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Branches and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Fee and commission income

The Branches earn fee and commission income from a diverse range of services it provides to its customers. Fee income, which is not an integral part of the effective interest rate of a financial instrument, is earned from a diverse range of services provided by the Bank to its customers, and are accounted for in accordance with IFRS 15 'Revenue from Contracts with Customers'. Under the IFRS 15, fee income is measured by the Bank based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Bank recognises revenue when it transfers control over a product or service to a customer. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at FVTPL relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Miscellaneous income

Miscellaneous income includes various services charges charged to the customers such as locker rent, telex charges, ATM charges and charges for non-maintenance of minimum balance. Fees in scope of IFRS 15 are recognised when the Branches transfer control over a product or service to a customer, this is generally at a point in time.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)**3.16 Revenue recognition (continued)**

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies under IFRS 15
Transactional services	The services include opening, closing and maintenance of deposit accounts, cheque issuance, clearing, deposit and payments transactions, remittances, safe deposit lockers. It also include card and e-channel services like interchange and merchant services generated from card issuance and usage. Transaction-based fees are charged to the customer's account when the transaction takes place.	The Bank recognises revenue on completion of service or proportionate completion basis or satisfaction of performance obligation as per the terms of contract
Trade services	The services cover issuance of letter of credit or guarantee, negotiations and other trade transactions. Trade services fees are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract	Income is recognised on service completion basis or time proportionate basis over the period of contract.
Syndication and other loan related services	The services include processing for credit, setting up credit limits, documentation, security and agency services and prepayment and closure of credit facilities. Syndication and other loan related services charges are charged to the customer's account when the services are provided or over the period of contract in line with the terms and conditions of contract.	The Bank recognises revenue on completion of service basis or on time proportion basis.
Advisory and asset management services	Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a monthly basis.	Advisory income is recognised on satisfaction of performance obligation at a point in time or over a period of time or on achievement of agreed milestones as per contract. Asset management income is recognised on time proportion basis or on completion of performance obligations as per the terms of the contract.

Repurchase and resale agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

3.17 Leases

At inception of a contract, the Branches assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Branches allocate consideration in the contract to each lease component on the basis of its relative stand-alone price. However,

3 Material accounting policies (continued)

3.17 Leases (continued)

for leases of the Branches and office property, the Branches have elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Branches recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to Branches or office property.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Branches incremental borrowing rate. Generally, the Branches use its incremental borrowing rate as the discount rate.

The Branches determine its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- i) Fixed payments, including in-substance fixed payments;
- ii) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- iii) amounts expected to be payable under a residual value guarantee; and
- iv) the exercise price under a purchase option that the Branches are reasonably certain to exercise, lease payments in an optional renewal period if the Branches are reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Branches are reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Branches estimate of the amount expected to be payable under a residual value guarantee, if the Branches change its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Branches present right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

3.18 Foreign currency

Foreign currency transactions are recorded at rates of exchange ruling at the value date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

3 Material accounting policies (continued)

3.18 Foreign currency (continued)

Forward foreign exchange contracts are translated into AED at mid-market rates of exchange at the reporting date. Foreign currency differences arising on translation are recognised in profit or loss. However, foreign currency differences arising from the translation of equity instruments classified as FVOCI are included in other comprehensive Income.

3.19 Impairment of non-financial assets

The carrying amount of the Branches non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is reversed, only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

3.20 Staff terminal benefits

The terminal benefits are provided for in accordance with the employees' contracts of employment and applicable requirements of the UAE and Oman labour laws. Entitlement to these benefits is usually based upon the employees' length of service and completion of minimum service period. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Expected future payments are discounted using market yields, at the end of the reporting period, of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The expected costs of these benefits are accrued over the period of employment.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have a right, at the end of the reporting period, to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

3.21 Financial guarantees

Financial guarantee contracts issued by the Branches are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

3.22 Acceptances

Acceptances arise when the Branches are under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date, and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Branches and is therefore recognised as a financial liability with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

4 Cash and balances with the UAE Central Bank

	2025	2024
	AED'000	AED'000
Cash in hand	1,139	3,745
Deposits with the UAE Central Bank	800,364	724,529
Statutory reserve deposits with the UAE Central Bank	96,651	36,419
	898,154	764,693

The Branches are required to maintain Statutory reserve deposits as per regulations of the UAE Central Bank. The level of reserve required changes periodically in accordance with directives of the Central Bank.

ECL on cash and balances with Central Bank is not material and accordingly no adjustment has been accounted for by the Branches.

5 Due from banks

	2025	2024
	AED'000	AED'000
Money market placements	-	36,734
Loans and Advances to Banks	-	45,913
Current accounts	35,639	9,953
	35,639	92,600
Less: Allowance for credit losses	(28)	(9)
Net Due from banks and other money market placement	35,611	92,591

Movement in allowances for the credit losses is set out below:

	2025	2024
	AED'000	AED'000
Balance at beginning of year	9	9
Added during the year	19	-
Balance at end of year	28	9

Due from banks comprise of operational balances, Loans and Advances to Banks and Interbank placements with banks. The Branches only deal with counterparties with an investment grade credit rating. All amounts due from banks are in Stage 1 (2024 : Stage 1). There were no movements between stages during the year.

6 Loans and advances to customers

	2025	2024
	AED'000	AED'000
Loans	1,285,742	1,000,894
Overdrafts	92,224	95,597
Trust Receipts	43,519	30,849
Bills Discounted	-	520
Total loans and advances to customers	1,421,485	1,127,860
Provision for expected credit loss	(70,456)	(120,624)
Net loans and advances to customers	1,351,029	1,007,236

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

6 Loans and advances to customers policies (continued)

	2025 AED'000	2024 AED'000
By economic sector		
Government	222,882	508,904
Construction	7,439	7,439
Trade	218,604	129,315
Real estate and real estate trading	8,349	102,908
Manufacturing	232,449	47,478
Services	728,613	329,029
Retail	3,149	2,787
	<u>1,421,485</u>	<u>1,127,860</u>

Gross amounts of loans and advances to customers by geographical area

Within UAE	1,299,707	965,687
Other countries	121,778	162,173
	<u>1,421,485</u>	<u>1,127,860</u>

Movement in the gross balances of loans and advances to customers

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
31 December 2025				
Gross carrying amount as at 1 January 2025	938,470	65,217	124,173	1,127,860
Transfer to Stage 1	4,605	(4,605)	-	-
Transfer to Stage 2	-	4,448	(4,448)	-
Transfer to Stage 3	-	-	-	-
New Loans	870,706	10,510	-	881,216
Recovery of Loans	(494,882)	(42,981)	-	(537,863)
Loans written off	-	-	(49,728)	(49,728)
Closing Balance as at 31 December 2025	<u>1,318,899</u>	<u>32,589</u>	<u>69,997</u>	<u>1,421,485</u>
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
31 December 2024				
Gross carrying amount as at 1 January 2024	675,249	86,615	259,510	1,021,374
Transfer to Stage 1	3,229	(3,229)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New Loans	417,934	25,148	-	443,082
Recovery of Loans	(157,942)	(43,317)	(2,913)	(204,172)
Loans written off	-	-	(132,424)	(132,424)
Closing Balance as at 31 December 2024	<u>938,470</u>	<u>65,217</u>	<u>124,173</u>	<u>1,127,860</u>

Movement in the provision for expected credit loss of loans and to customers:

	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
31 December 2025				
Opening Balance - as at 1 January 2025	2,942	1,117	116,565	120,624
Transfer to Stage 1	88	(88)	-	-
Transfer to Stage 2	-	961	(961)	-
Transfer to Stage 3	-	-	-	-
Charge for the year (net)	(726)	(1,060)	1,346	(440)
Write off for the period	-	-	(49,728)	(49,728)
Closing Balance as at 31 December 2025	<u>2,304</u>	<u>930</u>	<u>67,222</u>	<u>70,456</u>

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

6 Loans and advances to customers policies (continued)

<u>31 December 2024</u>	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Opening Balance - as at 1 January 2024	1,246	3,118	249,964	254,328
Transfer to Stage 1	14	(14)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Charge for the year (net)	1,682	(1,987)	(33,118)	(33,423)
Write off for the period	-	-	(100,281)	(100,281)
Closing Balance as at 31 December 2024	<u>2,942</u>	<u>1,117</u>	<u>116,565</u>	<u>120,624</u>

7 Investment securities

	2025 AED'000	2024 AED'000
<i>Equity instruments measured at FVOCI</i>		
Quoted investments- UAE	-	<u>83,007</u>
TOTAL	-	<u>83,007</u>
Less: Impairment allowance	-	-
TOTAL FINANCIAL INVESTMENTS	-	<u>83,007</u>

All investment securities are in Stage 1 and were fully sold during 2025.

An analysis of the investment based on external credit ratings is as follows:

	Equity Instruments AED'000	Total AED'000
2024		
Rated – Aa3 to Baa1	<u>83,007</u>	<u>83,007</u>
Less: Impairment allowance	-	-
TOTAL FINANCIAL INVESTMENTS	<u>83,007</u>	<u>83,007</u>

The movement in investment securities are summarised below:

	2025 AED'000	2024 AED'000
Balance at beginning of year	83,007	-
Additions	11,867	67,483
Disposals	(115,222)	-
Gain from changes in Fair Value	20,348	15,524
Balance at end of year	<u>-</u>	<u>83,007</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

8 Property and equipment

	<i>Leasehold improvements and CWIP</i>	<i>Furniture and equipment</i>	<i>Motor Vehicles</i>	<i>Right of use assets</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Cost					
At 1 January 2025	9,591	8,826	242	8,424	27,083
Additions	1,191	792	-	80	2,063
Adjustment	-	-	-	(106)	(106)
Transfers	(620)	620	-	-	-
Write off*	(3,179)	(1,516)	-	(255)	(4,950)
At 31 December 2025	6,983	8,722	242	8,143	24,090
Accumulated depreciation					
At 1 January 2025	6,443	7,647	199	2,737	17,026
Charge for the year	977	450	39	1,781	3,247
Write off	(3,179)	(1,516)	-	(254)	(4,949)
At 31 December 2025	4,241	6,581	238	4,264	15,324
Net book value at 31 December 2025	2,742	2,141	4	3,879	8,766

	<i>Leasehold improvements and CWIP</i>	<i>Furniture and equipment</i>	<i>Motor Vehicles</i>	<i>Right of use assets</i>	<i>Total</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Cost					
At 1 January 2024	7,822	7,781	242	7,130	22,975
Additions	1,769	1,045	-	2,563	5,377
Disposals	-	-	-	(1,269)	(1,269)
At 31 December 2024	9,591	8,826	242	8,424	27,083
Accumulated depreciation					
At 1 January 2024	6,030	7,254	160	1,520	14,964
Charge for the year	413	393	39	2,486	3,331
Disposals	-	-	-	(1,269)	(1,269)
At 31 December 2024	6,443	7,647	199	2,737	17,026
Net book value at 31 December 2024	3,148	1,179	43	5,687	10,057

*During the year 2025, Abu Dhabi Branch relocated to new a premises resulting in the write-off of certain fixed assets relating to the former Abu Dhabi Branch premises.

9 Other assets

	<i>2025 AED'000</i>	<i>2024 AED'000</i>
Prepayments	658	524
Other receivable and sundry debtors	2,532	3,511
	3,190	4,035

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

10 Due to Banks

	2025	2024
	AED'000	AED'000
Borrowing from banks	468,799	-
	468,799	-

During the year ended 31 December 2025, the interest rate on due to banks range from 3.85 % to 4.56 % (2024: Nil).

11 Deposits from customers

	2025	2024
	AED'000	AED'000
Current and other accounts	381,561	785,063
Savings accounts	17,667	16,130
Term deposits	1,074,260	810,932
	1,473,488	1,612,125

12 Other liabilities

	2025	2024
	AED'000	AED'000
Staff entitlements	2,115	2,081
Lease liabilities	3,968	5,661
Accounts payable and sundry creditors	8,267	10,383
Income tax payable (note 13)	8,358	7,753
Allowance for credit losses for loan commitments and financial guarantees	1,783	3,032
	24,491	28,910

Movement in the allowance for credit losses for loan commitments and financial guarantees which includes unfunded loans, advances and financing activities for customers:

	2025	2024
	AED'000	AED'000
Balance at beginning of year	3,032	1,524
(Release)/Addition during the year	(1,249)	1,508
Balance at year end	1,783	3,032

Staff entitlements

	2025	2024
	AED'000	AED'000
Employees' end-of-service benefits	1,927	1,892
Others	188	189
	2,115	2,081

National Bank of Oman (SAOG), UAE Branches

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At 31 December 2025

12 Other liabilities (continued)

The Branches provide for employees' end-of-service benefits in accordance with the employees' contracts of employment and the applicable requirements of the UAE labor laws. The movements in the employees' end-of-service benefits liability are as follows:

	2025 AED'000	2024 AED'000
Balance at 1 January	1,892	1,633
Provided during the year	390	695
Paid during the year	<u>(355)</u>	<u>(436)</u>
Balance at 31 December	<u>1,927</u>	<u>1,892</u>

Lease liabilities

Movement in the lease liabilities:

	2025 AED'000	2024 AED'000
Balance at 1 January	5,661	7,130
Write off during the year	(110)	-
Finance charges on lease	172	214
Lease payments	<u>(1,755)</u>	<u>(1,683)</u>
Balance at 31 December	<u>3,968</u>	<u>5,661</u>

For the year ended 31 December 2025, the weighted-average incremental borrowing rate applied to lease liabilities was 4% (2024: 4%).

13 Income tax

	2025 AED'000	2024 AED'000
Balance as at 1 January	7,753	2,339
Net charge made during the year	3,412	6,197
Paid during the year	<u>(2,807)</u>	<u>(783)</u>
Balance at 31 December	<u>8,358</u>	<u>7,753</u>

Charge for the year, net

Current tax	3,412	6,197
Deferred tax assets written off (note 14)	<u>5,216</u>	<u>13,794</u>
Charge for the year, net	<u>8,628</u>	<u>19,991</u>

Set out below is the computation of current tax provision during the year :

	2025 AED'000
Profit before tax	45,251
Addition :	
Taxable Revenue/Disallowed expenses	5,959
Exemption :	
Tax exempt Revenues net of expense	<u>(5,942)</u>
Adjusted Taxable Income	<u>45,268</u>
Tax Due at applicable tax rate @ 9%	4,040
Reversal of prior year tax provisions	<u>(628)</u>
Current tax expense	<u>3,412</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

14 Deferred tax asset

	2025 AED'000	2024 AED'000
Deferred tax asset are attributable to the following:		
Allowance for impairment (including prior years adjustments)	8,769	13,985
Tax losses	-	-
	8,769	13,985

Movement in temporary difference during the year is as under:

Opening deferred tax asset	13,985	27,779
Reversal during the year – impairment allowance	(5,216)	(13,794)
Closing deferred tax asset	8,769	13,985

The Branches are required to pay tax at the rate of 20% of taxable profits (2024: 20%) under tax regimes of individual Emirates. The taxable income for the year is calculated after making certain adjustments to the net profit before tax for the year and is based on management's best estimate.

On December 9, 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime became effective for accounting periods beginning on or after June 1, 2023. For the Branches, CT applied on and from January 1, 2024. A rate of 9% applies to taxable income exceeding AED 375,000. A rate of 0% applies to taxable income not exceeding this threshold.

Domestic Minimum Top Up Tax:

On 11 February 2025, the Ministry of Finance of the UAE released "Cabinet Decision No. 142 of 2024 on the Imposition of Top-Up Tax on Multinational Enterprises" imposing a domestic minimum top-up tax (DMTT) on certain in-scope UAE entities of a multinational enterprise (MNE), to meet a 15% effective tax rate (ETR) on profits derived in the UAE for fiscal years starting on or after 1 January 2025.

The Bank has assessed that it is in scope of the UAE DMTT Law effective 1 January 2025. The IAS 12 exception to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes has been applied.

Based on the forecasts and model designed to calculate the DMTT, no material top-up tax liability is expected to arise in the Branches. The Bank will continue to perform further assessment to ensure compliance with the regulations.

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

14 Deferred tax asset (continued)

Set out below is reconciliation between income tax calculated on accounting profits with income tax expense for the year:

	2025 AED'000	2024 AED'000
Profit before tax as per statement of comprehensive income	45,251	35,114
Taxable profit not subject to DTA	-	-
Taxable profit subject to DTA	45,251	35,114
Tax effect at applicable Tax rate	9,050	7,024
Tax effect on disallowed expense	86	466
Tax effect on allowed expense	(9,946)	(20,668)
Tax effect on allowed income	(193)	(459)
Total Tax effect	(1,003)	(13,637)
DTA not reversed	1,003	13,637
Net DTA created during the year	-	-
DTA de-recognized during the year	-	-
Charged for the year on account of DTA	-	-
Current Tax provision at applicable rate	4,040	6,197
Adjustments for current tax of prior periods	(628)	-
Total current tax expense for the year (A)	3,412	6,197
Movement in deferred tax assets	5,216	13,794
Total Deferred Tax expense for the year (B)	5,216	13,794
Income tax expense for the year (A + B)	8,628	19,991

15 Allocated capital

The Branches' capital represents amount transferred from the Head Office in accordance with Article 80 of Union Law No. 10 of 1980. The Branches' capital meets the minimum requirement of UAE Central Bank for branches of foreign banks operating in the UAE.

As of 31 December 2025, the total assigned capital from the Head Office stands at AED 390,375 thousand (2024: AED 390,375 thousand).

Legal reserves

In accordance with Decretal Federal Law No. (6) of 2025, an annual transfer of 10% of the net profit for the year is to be made to a non-distributable Legal reserve until the reserve equals half of the Branches' capital. AED 3,662 thousand was transferred to non-distributable Legal reserve during the year 2025 (2024: AED 1,512 thousand).

16 Placement from Head Office

This represents additional funding (AED 27,300 thousand) provided by the Head Office in order to meet the CBUAE requirements regarding the capital adequacy ratio. The placement is a non-interest bearing AED deposit. The placement will be progressively reduced in a manner that will not compromise CBUAE's capital adequacy ratio requirements. In accordance with CBUAE circular number 372, the Branches include this placement as part of their capital for the purpose of calculating capital adequacy ratio (note 21.6) in its CBUAE quarterly returns.

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

17 Net interest income

	2025	2024
	AED'000	AED'000
Interest income:		
Loans and advances	70,805	68,159
Placements with banks	31,539	37,377
	102,344	105,536
Interest expense:		
Term deposits	(46,446)	(39,762)
Saving accounts	(19)	(14)
Call deposits	(9,960)	(14,107)
Borrowings from banks and overseas branches	(5,026)	(4,348)
	(61,451)	(58,231)
	40,893	47,305

18 Net fees and commission income

	2025	2024
	AED'000	AED'000
<i>Fees and commission income:</i>		
Letters of credit	1,223	1,066
Letters of guarantee	1,042	715
Commission on acceptances	235	248
Corporate & Retail lending fees	7,326	2,256
Others	57	70
	9,883	4,355
<i>Less: Fees and commission expenses:</i>		
Service charges	(138)	(153)
	9,745	4,202

19 Other operating income

	2025	2024
	AED'000	AED'000
Telex charges	1,183	1,836
Service charges	105	122
Dividend Income	6,452	4,352
Miscellaneous income	642	684
	8,382	6,994

20 Staff Costs

	2025	2024
	AED'000	AED'000
Employees' salaries	7,001	7,013
Contribution to social insurance schemes	284	265
Other staff costs	2,977	2,803
	10,262	10,081

20.1 Other operating expenses

	2025	2024
	AED'000	AED'000
Rent, rates and taxes	1,060	1,216
Repair expenses	638	1,030
Management fee (Note 25)	3,113	2,979
Other general and administrative expenses (Note 20.1.1)	5,043	5,472
	9,854	10,697

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

20.1 Other operating expenses (continued)

20.1.1 Auditors' remuneration

	<i>2025</i> <i>AED'000</i>	<i>2024</i> <i>AED'000</i>
Fees for NBO (SAOG) - UAE Branches statutory audit and other assurance services – relating to current year	<u>624</u>	<u>555</u>
	<u>624</u>	<u>555</u>

Fees payable for the statutory audit of the financial statements of the Branches. Including services for assurance and other services that relate to statutory and regulatory filings.

21 Financial risk management

21.1 Introduction and overview

The Branches have exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Operational risk

This note presents information about the Branches' exposure to each of the above risks, the Branches' objectives, risk management frameworks, policies and processes for measuring and managing risk, and the Branches' management of capital.

Risk management framework

The overall responsibility for risk management in the Branches is vested with the Board of Directors of the Bank. The Board authorises appropriate credit, liquidity and market risk policies as well as suitable operational guidelines based on the recommendation of management. Approval authorities are delegated to different functionaries, including the UAE Country Manager, in the hierarchy depending on the amount, type of risk and collateral security. The Bank has established various committees that decide on all risk issues.

The Branches' risk management policies are established to identify and analyse the risks faced by the Branches, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

21.2 Credit risk

Credit risk is the risk of financial loss to the Branches if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Branches seek to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Branches also monitor credit exposures and continually assess the credit worthiness of counterparties. They also obtain security when appropriate.

Management of credit risk

Credit Risk is managed within the regulatory requirements of the Central Bank of UAE; risk framework provided in the Board approved Risk Charter and Credit Policies and Procedures. The policies and procedures are periodically reviewed to ensure alignment to the current best practices. Credit exposures are approved by delegated authorities based on delegation by the Board and Board Risk Committee. The delegation of authorities is based on the size of the single obligor exposure, the credit quality (internal, external rating) as well as level of credit risk mitigation (collateral, guarantees, etc.) for the proposed exposures. Control, monitoring and management of credit exposures and remedial management are done in coordination with respective Business Units as per established procedures. The risk management framework also includes policies with respect to problem recognition, early warning lists, watch lists, classification parameters and risk rating adjustments. The

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.2 Credit risk (continued)

Management of credit risk (continued)

Bank also undertakes stress testing of its portfolio and potential credit costs in the event of a downgrade or default by its customers.

Corporate credit

Corporate Credit Risk Division is responsible for independent assessment and control of the risks related to all Corporate, Business Banking and Financial Institutions exposures. The credit risk associated with any corporate financing is assessed based on an analysis of the customer and the industry it operates in. The credit rating acts as a key factor in credit decisions at the time of approval and subsequent credit assessments. The Division reviews and assesses credit risk for proposed exposures prior to facilities being committed to customers by the concerned business units. Renewals and reviews of facilities are subject to the same process. Each proposal is also assessed with respect to established concentration limits for various economic sectors, countries, risk grades, etc. and deviations, if any are highlighted. The Branches follow risk adjusted return of capital model for benchmarking risk pricing and each credit proposal is also assessed based on internal benchmarks of required risk adjusted returns. The Branches have implemented a customised Moody's Risk Analyst model for risk rating corporate borrowers. The Branches maintain an accurate and consistent corporate credit rating for all its customers.

In addition to formal annual credit risk reviews of each corporate facility, more frequent reviews are also undertaken for watch list accounts, public companies and large exposures. Further, the Branches continue to undertake quarterly review of financial institutions and country portfolio including stress tests and review of adverse rating migrations and outlooks in line with best practices and regulatory guidelines. The Branches also undertook a weekly review across all its business segments of early warning accounts, which showed signs of stress, and remedial action prescribed as necessary.

A comprehensive review of the Corporate Credit Portfolio is conducted on a quarterly basis and provided to the Senior Management and the Board Risk Committee. Salient areas covered in the review include:

- Exposures downgraded/negatively migrated
- Weighted average credit grade profile
- Portfolio concentration/ performance
- Position of restructured exposures
- Position of past due exposures
- Exposures secured by equity
- Exposures to real estate and leasing sectors
- Syndicated exposures
- New relationships
- Exposures to senior members and non-resident borrowers
- Exposures to countries / financial institutions
- Clean lending and name lending exposures

The Bank introduced prudent control measures for its UAE operations in line with the changing operating environment detailed below

- Revised business focus on Oman-UAE business corridor with emphasis on businesses sponsored by Omani or reputed UAE nationals.
- Enhanced Due diligence and strengthened KYC processes
- Revised Standard Operating Procedures in line with changing business needs.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.2 Credit risk (continued)

Corporate credit (continued)

Loan Review mechanism (continued)

The Branches have an independent Loan Review Mechanism Division (LRM) with a mandate for constantly evaluating the quality of the loan book, and the balance between risk and reward and to bring about qualitative improvements in credit administration. The division evaluates the effectiveness of loan administration, integrity of the credit grading process, assessment of general and specific loan loss provisions, portfolio quality, etc. In addition to the above the LRM team reviews the Branches' effectiveness of approved internal controls and procedures to ensure robust and sound practices are being followed by all stake holders.

LRM also performs independent ad hoc reviews, investigations and assessments as directed by management on areas of concern relating to the credit approval process and/or the analysis processes within the Branches. Significant findings are reported to the CRO, the MRC and potentially to the BRC where warranted.

Risk mitigation policies

The Branches manage limits and control concentrations of credit risk in particular, with respect to individual counterparties and groups, and industries. The Branches structure the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored and reviewed periodically by the Management Credit Committee and Board Risk Committee.

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.2 Credit risk (continued)

Exposure to credit risk

The Branches measure their exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amounts of financial assets represent the maximum credit exposure.

	Loans and advances		Investment securities		Others		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Loans	1,285,742	1,000,894	-	-	-	-	1,285,742	1,000,894
Overdrafts	92,224	95,597	-	-	-	-	92,224	95,597
Trust receipt	43,519	30,849	-	-	-	-	43,519	30,849
Bills discounted	-	520	-	-	-	-	0	520
Investment Securities – Equities (FVOCI)	-	-	-	83,007	-	-	0	83,007
Cash and balances with the UAE Central Bank	-	-	-	-	898,154	764,693	898,154	764,693
Due from banks	-	-	-	-	35,639	92,600	35,639	92,600
Due from Head Office and Overseas branches	-	-	-	-	60,330	60,985	60,330	60,985
Customers' indebtedness for acceptances	-	-	-	-	541,165	364,840	541,165	364,840
Other assets	-	-	-	-	3,190	4,035	3,190	4,035
Total	1,421,485	1,127,860	-	83,007	1,538,478	1,287,153	2,959,963	2,498,020
Allowance for Credit Losses	(70,456)	(120,624)	-	-	(2,049)	(3,041)	(72,505)	(123,665)
Carrying amount, net	1,351,029	1,007,236	-	83,007	1,536,429	1,284,112	2,887,458	2,374,355

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)
21.2 Credit risk (continued)

Exposure to credit risk (continued)

	Loans and advances		Investment securities		Others		Total	
	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000
Stage 1 & 2	1,351,488	1,003,683	-	83,007	1,538,478	1,287,153	2,889,966	2,373,843
Allowances for Credit Loss	(3,234)	(4,059)	-	-	(1,370)	(3,041)	(4,604)	(7,100)
Carrying amount, net	1,348,254	999,624	-	83,007	1,537,108	1,284,112	2,885,362	2,366,743
Stage 3	69,997	124,177	-	-	-	-	69,997	124,177
Allowances for Credit Loss	(67,222)	(116,565)	-	-	(679)	-	(67,901)	(116,565)
Carrying amount, net	2,775	7,612	-	-	(679)	-	2,096	7,612
Carrying amount, net	1,351,029	1,007,236	-	83,007	1,536,429	1,284,112	2,887,458	2,374,355

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)**21.2 Credit risk (continued)**

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

	<i>12-Month ECL</i> <i>AED'000</i>	<i>Lifetime ECL</i> <i>not credit -</i> <i>impaired</i> <i>AED'000</i>	<i>Lifetime ECL</i> <i>credit -</i> <i>impaired</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
31 December 2025				
Loans and advances to customers				
Performing loans (Grades 1-5)	1,318,899	17,344	-	1,336,243
Performing loans (Grades 6)	-	15,245	-	15,245
Performing loans (Grades 7)	-	-	-	-
Non-performing loans (Grades 8-10)	-	-	69,997	69,997
Gross loans and advances to customers	1,318,899	32,589	69,997	1,421,485
Loss allowance-carrying amount	2,304	930	67,222	70,456
Credit related contingent items				
Performing loans (Grades 1-5)	604,804	209,209	-	814,013
Performing loans (Grades 6)	-	74,148	-	74,148
Performing loans (Grades 7)	-	-	-	-
Non-performing loans (Grades 8-10)	-	-	679	679
Total gross loans and advances to customers	604,804	283,357	679	888,840
Loss allowance-carrying amount	195	1,147	679	2,021
Due from banks and money market placements	35,639	-	-	35,639
Loss allowance-carrying amount	28	-	-	28
Investment securities	-	-	-	-
Loss allowance-carrying amount	-	-	-	-

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.2 Credit risk (continued)

Grade 1-6 represents performing grade. Grade 7 represents special mentioned accounts and grade 8-10 represents non performing.

	<i>12-Month ECL</i> AED'000	<i>Lifetime ECL not credit - impaired</i> AED'000	<i>Lifetime ECL credit - impaired</i> AED'000	<i>Total</i> AED'000
<u>31 December 2024</u>				
Loans and advances to customers				
Performing loans (Grades 1-5)	938,470	43,436	-	981,906
Performing loans (Grades 6)	-	21,781	-	21,781
Performing loans (Grades 7)	-	-	-	-
Non-performing loans (Grades 8-10)	-	-	124,173	124,173
Gross loans and advances to customers	<u>938,470</u>	<u>65,217</u>	<u>124,173</u>	<u>1,127,860</u>
Loss allowance-carrying amount	<u>2,942</u>	<u>1,117</u>	<u>116,565</u>	<u>120,624</u>
Credit related contingent items				
Performing loans (Grades 1-5)	442,815	60,505	-	503,320
Performing loans (Grades 6)	-	61,671	-	61,671
Performing loans (Grades 7)	-	-	-	-
Non-performing loans (Grades 8-10)	-	-	679	679
Total gross loans and advances to customers	<u>442,815</u>	<u>122,176</u>	<u>679</u>	<u>565,670</u>
Loss allowance-carrying amount	<u>19</u>	<u>2,843</u>	<u>170</u>	<u>3,032</u>
Due from banks and money market placements	<u>92,600</u>	<u>-</u>	<u>-</u>	<u>92,600</u>
Loss allowance-carrying amount	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Investment securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss allowance-carrying amount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Grade 1-6 represents performing grade. Grade 7 represents special mentioned accounts and grade 8-10 represents non performing.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.2 Credit risk (continued)

Impaired loans and advances

The Branches regard a loan and advance or a debt security as impaired in the following circumstances:

- A loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.
- A loan is overdue beyond the stated contractual terms.
- A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Loans and investment debt securities that are past due but not impaired

Loans and investment debt securities that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Branches believe that impairment is not appropriate on the basis of the sufficient level of security or collateral available to cover the outstanding amount and/or the stage of collection of amounts owed to the Branches.

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be recognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 3.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Branches have made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Branches had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

The Branches hold collateral against loans and advances to customers in the form of cash margins, pledges/ liens over deposits, mortgage interests over property, other registered securities over assets and guarantees. The Branches accept guarantees mainly from well reputed local or international banks/financial institutions, well established local or multinational organisations, large corporate and high net worth individuals. Estimates of fair value are based on the value of collateral assessed at the time of borrowing which are updated during annual reviews. Generally, collateral is not held over loans and advances to other banks or financial institutions, except when securities are held as a part of reverse repurchase and securities borrowing activity.

It is the Branches policy to ensure that loans are extended to customers within their capability to service interest and repay principal instead of relying excessively on securities. Accordingly, depending on customers' credit worthiness and the type of product, facilities may be unsecured. Nevertheless, collateral is and can be an important credit risk mitigant.

An estimate of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below.

	2025	2024
	AED'000	AED'000
Cash and margin	601,062	567,737
Commercial and industrial property	26,627	119,582
Residential property	-	192,500
Other	490,125	62,800
Total collateral held	1,117,814	942,619

Collateral values reflect the maximum exposure or the value of the collateral whichever is lower

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)
21.2 Credit risk (continued)

Concentration of credit risk

The Branches internally monitor concentrations of credit risk by sector and geographical location. An analysis of concentrations of credit risk as defined by the Branches' internal approved guidelines at the reporting date is shown below:

	<i>Loans and advances</i>		<i>Investment securities</i>		<i>Others</i>		<i>Total</i>	
	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000	2025 AED'000	2024 AED'000
Carrying value, net	1,351,029	1,007,236	-	83,007	99,131	157,611	1,450,160	1,247,854
Concentration by sector:								
Government	222,882	508,904	-	-	-	-	222,882	508,904
Construction	7,439	7,439	-	-	-	-	7,439	7,439
Trade	218,604	129,315	-	-	-	-	218,604	129,315
Real estate and real estate trading	8,349	102,908	-	-	-	-	8,349	102,908
Manufacturing	232,449	47,478	-	-	-	-	232,449	47,478
Services	728,613	329,029	-	23,219	-	-	728,613	352,248
Banks and Financial Institutions	-	-	-	59,788	95,941	153,585	95,941	213,373
Retail	3,149	2,787	-	-	-	-	3,149	2,787
Others	-	-	-	-	3,190	4,035	3,190	4,035
Gross total	1,421,485	1,127,860	-	83,007	99,131	157,620	1,520,616	1,368,487
Concentration by location:								
United Arab Emirates	1,299,707	965,687	-	83,007	3,190	40,769	1,302,897	1,089,463
Outside UAE	121,778	162,173	-	-	95,941	116,851	217,719	279,024
Gross total	1,421,485	1,127,860	-	83,007	99,131	157,620	1,520,616	1,368,487

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.2 Credit risk (continued)

Interest is accrued on doubtful and loss accounts for litigation purposes only and accordingly interest is not taken to income. Such accruals increase gross loans and advances receivable. Loans and advances are written off only when all legal and other avenues for recovery or settlement are exhausted.

The movement during the year within the impairment provision balance is as follows:

In AED'000	2025				2024			
	12 month ECL	Lifetime ECL - Not credit impaired	Lifetime ECL - credit impaired	Total	12 month ECL	Lifetime ECL - Not credit impaired	Lifetime ECL - credit impaired	Total
Balance at 1 Jan	2,970	3,960	116,736	123,666	1,270	4,456	250,135	255,861
Transfer Between Stage1 to Stage2 (Release)/Charge for the Year	(2,128)	3,089	(961)	-	(3)	3	-	-
Recoveries during the year	1,685	(4,972)	2,820	(467)	1,703	(499)	1,124	2,328
Amounts written off during the year	-	-	(966)	(966)	-	-	(2,217)	(2,217)
Closing Balance	-	-	(49,728)	(49,728)	-	-	(132,306)	(132,306)
	2,527	2,077	67,901	72,505	2,970	3,960	116,736	123,666

(i) (Release)/Charge for the year 2025 amounting to AED (467) (2024: AED 2,328 thousand) includes, Provision for credit losses amounting to AED (470) thousand (2024: AED 2,325 thousand) and Reserved interest amounting to AED 3 thousand (2024: AED 3 thousand).

(ii) Net Impairment (charge)/release to statement of comprehensive income for the period ended 31 December 2025

	2025	2024
	AED'000	AED'000
Impairment (charge)/release		
Due from Banks	(19)	-
Loans and advances to customers	(440)	(817)
Customers' indebtedness for acceptances	(238)	-
Other assets	(82)	-
Contingent liabilities and commitment	1,249	(1,508)
Total	470	(2,325)
Recoveries and releases from provision for credit losses	966	557
Recoveries and releases from loans and advances written off	4,105	75
Total	5,071	632
Net impairment (charge)/release	5,541	(1,693)

21 Financial risk management (continued)**21.2 Credit risk (continued)****Impairment reserve under the Central Bank of UAE (CB UAE guidance)**

Per the new credit risk management standards ('CRMS') issued by the CBUAE, Banks must ensure that the total provision corresponding to all Stage 1 and Stage 2 exposures is not less than 1.50% of the Credit Risk Weighted Assets as computed under the CBUAE capital regulations. Where the collective provisions held are lower, the shortfall may be held in a dedicated non-distributable balance sheet reserve called 'impairment reserve-general'. The amount held in the impairment reserve-general must be deducted from the capital base (Tier 1 capital for Banks) when computing the regulatory capital. The calculation process, methodology and results for provisions as at 31 December 2025 have been reviewed by the CRO, in addition to relevant Risk Stewards. The provision results have been presented at relevant governance forums and align with the Article 9 of the Credit Risk Management Regulation including accompanying Standards, Circular No. 3/2024 dated 25 July 2024 and Notice 4613/2025 dated 19 August 2025.

Pursuant to clause 6.4 of the guidance, the reconciliation between general and specific provision under Circular 28/2010 of CBUAE and IFRS 9 is as follows:

	2025	2024
	AED'000	AED'000
Total provision required by CBUAE circular	89,864	152,113
Total provision required by IFRS9	(72,505)	(145,161)
Difference	17,359	6,952
Impairment Reserve : General		
General Provision (CB UAE 1.5% of RWA)	21,963	13,472
Stage 1 & 2 provision held under IFRS 9	(4,604)	(6,931)
General Provision to be held in Impairment reserve – general	17,359	6,541
Impairment reserve held as at 31 December	17,640	7,957
Movement in impairment reserve	9,683	6,450

Settlement risk

The Branches activities may give rise to risk at the time of settlement of transactions and trades. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Branches mitigate this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both the parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free-settlement trades requires transaction-specific or counterparty-specific approvals from the Branches' risk function.

Impairment assessment**Definition of default and cure**

The Branches consider a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Branches consider treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Branches also consider a variety of instances that may indicate unlikeliness to pay. When such events occur, the Branches carefully consider whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

21 Financial risk management (continued)

21.2 Credit risk (continued)

Impairment assessment (continued)

- Internal rating of the borrower indicating default or near-default
- A material decrease in the borrower's turnover or the loss of a major customer
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection

It is the Branches' policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Incorporation of forward-looking information

The Branches incorporate forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Branches formulate a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

Given the nature of the Branches' exposures and availability of historical statistically reliable information, the Branches derive the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by Moody's for each rating category.

Economic variable assumptions

During the year, the Branches implemented a new IFRS 9 impairment tool incorporating an enhanced macroeconomic framework. The updated framework leverages the latest macroeconomic forecasts published by the International Monetary Fund (IMF) and applies portfolio-specific calibrations to ensure that the selected variables appropriately reflect the risk characteristics of each portfolio.

The macroeconomic variables included in the model were identified through correlation analysis and an assessment of their explanatory power on expected credit loss (ECL) outcomes. The implementation, calibration and application of the model were subject to independent validation and management review to confirm the robustness, consistency and reasonableness of the underlying assumptions and outputs.

In accordance with IFRS 9 requirements, the Branches incorporate forward-looking information by considering multiple macroeconomic scenarios in the estimation of ECL.

Treasury, trading and interbank relationships

The Branches' treasury, trading and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Branches' credit risk department analyses publicly available information such as financial information and other external data and assigns the internal rating.

Corporate and commercial lending

For corporate and investment banking loans, the borrowers are assessed by specialised credit risk employees of the Branches. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.

21 Financial risk management (continued)

21.2 Credit risk (continued)

Economic variable assumptions (continued)

Corporate and commercial lending (continued)

- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond or CDS prices or press releases and articles.
- Any macro-economic or geopolitical information, e.g., GDP growth relevant for the specific industry and geographical segments where the client operates.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.
- The complexity and granularity of the rating techniques varies based on the exposure of the Branches and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and retail mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with retail mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by days past due. Other key inputs into the models are:

- Consumer lending products: use of limits and volatility thereof, GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing
- Retail mortgages: GDP growth, unemployment rates, changes in personal income/salary levels based on records of current accounts, personal indebtedness and expected interest repricing

Sensitivity analysis

The most significant assumptions affecting the ECL allowance are as follows:

- Interest rate, given its impact on companies' likelihood of default; and
- GDP, given the significant impact on companies' performance and collateral valuations;

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Branches assess the possible default events within 12 months for the calculation of the 12 month ECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Branches determine EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Branches' models.

Loss given default

For corporate and investment Banking financial instruments, LGD values are assessed at least every twelve months by account managers and reviewed and approved by the Branches specialised credit risk department. The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

21 Financial risk management (continued)

21.2 Credit risk (continued)

Economic variable assumptions (continued)

Loss given default (continued)

The Branches segment their retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics. Further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the Bank.

The Branches estimate regulatory and IFRS 9 LGDs on a different basis. Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

Significant Increase in Credit Risk

The Branches continuously monitor all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or LTECL, the Branches assess whether there has been a significant increase in credit risk since initial recognition.

As a backstop, the Branches consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Bank's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Branches apply a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Branches may also consider that events set out below are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

- a. Inadequate or unreliable financial or other information such as unavailability of audited financial statements within 120 days from end of accounting period.
- b. Delay in documentation execution over 35 days from limit set up due to disputes with customers.
- c. Borrower is subject to litigation by third parties that may have a significant impact on his financial position.
- d. Frequent changes in key senior management personnel without acceptable successors or professional management.
- e. Intra Group transfer of funds without underlying transactions beyond 50% of Tangible Net Worth.
- f. Deferment/delay in the date for commencement of commercial operations by more than one year except in Government projects or delays are due to Government approvals.
- g. Modifications of terms resulting in concessions granted to the borrower (after examining the cash flows of the borrower/financial position/ability to repay) including extension of moratorium, deferment of payment, waiver of covenants etc. This requirement shall be in conformity to the restructuring guidelines issued by CBO from time to time.
- h. A fall of 25% or more in the turnover or in the EBIT as compared to the previous year except in the case of change in business model/one of material events.
- i. A fall in Debt Service coverage ratio to below 1 except in cases which have acceptable external credit support.
- j. Rating downgrade by 3 notches for ratings from R1 to R4 and 2 notches downgrade for R5 and R6.

21 Financial risk management (continued)

21.2 Credit risk (continued)

Significant Increase in Credit Risk (continued)

- k. Erosion in net worth by more than 20% compared to previous year coupled with increase in leverage by 1.5 times.

Key credit risks which are unique to retail exposures include the following, this is apart from the model criteria which are common to all products as per IFRS 9 standard:

- a. Stage 2 asset based on the days past due as per BM 1149
- b. Inclusion of watchlist based on the employer of the borrowers status.
- c. Restructured accounts have selective and variable treatment based on the central bank guidelines

Management overlays may be applied to the model outputs if consistent with the objective of identifying a significant increase in credit risk.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured at 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behavior to provide evidence that its credit risk has declined sufficiently. When the contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

The Branches monitor the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3.5.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

21 Financial risk management (continued)

21.2 Credit risk (continued)

Modified financial assets (continued)

The Branches renegotiate loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Branches forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Branches Credit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Branches forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Branches ability to collect interest and principal and the Branches previous experience of similar forbearance action. As part of this process, the Branches evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that it falls within the 12-month PD ranges for the asset to be considered Stage 1.

Measurement of ECL - Judgmental adjustments:

Where appropriate, the Branches make adjustments to the ECL estimate outside the Branches regular modelling process to reflect management judgements. The changes to the assumptions underlying these judgmental adjustments could materially affect ECL within the next 12 months. These adjustments include post-model adjustments (PMAs) and overlays.

PMAs are adjustments to the ECL balance as part of the year-end reporting process to reflect late updates to market data, known model deficiencies and expert credit judgement. They are usually calculated and allocated at a granular level through modelled analysis, calculated separately for each economic scenario and where appropriate used to adjust stage allocation outcomes.

Overlays are adjustments to the ECL model outputs that have been made outside the detailed ECL calculation and reporting process. These do not meet the Bank's definition of PMAs because they are not calculated at a granular level through modelled analysis.

The Branches have internal governance frameworks and controls in place to assess the appropriateness of all judgmental adjustments. The aim of the Branches is to incorporate these adjustments into the ECL models, where possible, as part of the periodic recalibration and model assessment procedures.

21 Financial risk management (continued)

21.2 Credit risk (continued)

Model risk management:

The Branches have utilised models in many of their financial and business activities from underwriting a credit facility to reporting expected loss under the IFRS9 accounting standards.

The Branches have formed a Model Oversight Committee. The committee is responsible for all significant modelling decisions related to each step of the model life cycle. The committee must ensure decisions are transparent, justified and documented. The committee's main objective is to optimize the ability of models to support decision-making throughout the Branches, covering all model types. The Model Oversight Committee is accountable to Senior Management and to the Board, who must ensure that the Model Oversight Committee manages Model Risk appropriately. The committee is required to provide an impartial view of the best modelling approach for the bank. It is expected to remain independent from actual, potential or perceived interests of business lines. Therefore, the majority of the Committee members are not from business lines

Each model is required to be managed according to a cycle that includes, at a minimum, the following steps:

1. Development,
2. Pre-implementation validation,
3. Implementation,
4. Usage and monitoring,
5. Independent validation, and
6. Recalibration, redevelopment or retirement, if deemed necessary

The duration and frequency of each step is required to be specified in advance for each model and documented accordingly. The responsibility of the Model oversight committee includes the below:

1. Design the bank's appetite for Model Risk to be approved by the Board,
2. Ensure that Model Risk is managed appropriately across the bank,
3. Escalate modelling decisions when necessary,
4. Oversee the objective and strategy of each model,
5. Approve the development of new models,
6. Request the development of new models when necessary,
7. Approve material modelling decisions throughout the model life-cycle,
8. At the end of each cycle, review the validation results and make one of the choices below:
 - a) Leave the model unchanged,
 - b) Use a temporary adjustment while establishing a remediation plan,
 - c) Recalibrate the model,
 - d) Redevelop or acquire a new model, or
 - e) Withdraw the model without further redevelopment

21.3 Liquidity risk

Liquidity risk is the risk that the Branches will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. To limit this risk, management continuously looks for opportunities to diversify its funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade asset which could be collateralised to secure additional funding if required.

The Branches maintain liquidity by continually assessing, identifying and monitoring changes in funding needs required to meet strategic goals set in terms of the overall strategy. In addition, the Branches hold certain liquid assets as part of its liquidity risk management strategy.

The Branches manage liquidity risk based on the Central Bank of UAE guidelines and the liquidity contingency policies, which are approved by the Board Risk Committee. Liquidity risk position is monitored regularly through

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At 31 December 2025

21 Financial risk management (continued)

21.3 Liquidity risk (continued)

analysis of various reports, such as, maturity of assets and liabilities, liquidity lines, early warning indicators and stock ratios. Further, the Branches also periodically conduct stress tests on liquidity based on market and bank specific events in line with Basel Committee recommendations. The liquidity position of the Branches are regularly reviewed by management and also discussed at the Branches' Asset and Liability Committee ('ALCO').

The key elements of the Branches' liquidity strategy are as follows:

- Maintaining a diversified funding base consisting of customer deposits (both retail and corporate) and wholesale market deposits and maintaining contingency facilities;
- Carrying a portfolio of highly liquid assets, diversified by currency and maturity;
- Monitoring liquidity ratios, maturity mismatches; and
- Carrying out stress testing of the liquidity position.

Residual contractual maturity of financial liabilities

The following table shows the undiscounted cash flows on the Branches' financial liabilities on the basis of their earliest possible contractual maturity. The Branches' expected cash flow on these instruments may vary significantly from this analysis.

At 31 December 2025

	<i>Carrying Amount AED'000</i>	<i>Gross nominal outflow AED'000</i>	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>More than 1 year AED'000</i>
Non-derivative liabilities					
Deposits from banks	(468,799)	(490,605)	(289,857)	(200,748)	-
Deposits from Head Office and overseas branches	(25,293)	(25,709)	(25,709)	-	-
Deposits from customers	(1,473,488)	(1,527,974)	(741,055)	(265,665)	(521,254)
Liabilities under acceptances	(541,165)	(541,165)	(541,165)	-	-
Other liabilities	(22,952)	(22,952)	(10,473)	(12,235)	(244)
	(2,531,697)	(2,608,405)	(1,608,259)	(478,648)	(521,498)

At 31 December 2024

	<i>Carrying Amount AED'000</i>	<i>Gross nominal outflow AED'000</i>	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>More than 1 year AED'000</i>
Non-derivative liabilities					
Deposits from banks	-	-	-	-	-
Deposits from Head Office and overseas branches	(78,985)	(82,437)	(82,437)	-	-
Deposits from customers	(1,612,125)	(1,676,753)	(1,121,212)	(254,745)	(300,796)
Liabilities under acceptances	(364,840)	(364,840)	(364,840)	-	-
Other liabilities	(25,878)	(25,878)	(9,834)	(16,044)	-
	(2,081,828)	(2,149,908)	(1,578,323)	(270,789)	(300,796)

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.3 Liquidity risk (continued)

Residual contractual maturity of financial liabilities (continued)

The Branches have established policies to manage the liquidity risk arising from the mismatch in the maturities of the assets and liabilities. These policies ensure that all obligations are met by the Branches on a timely and cost efficient basis. The following table shows the expected maturity of the Branches' assets and liabilities.

	<i>Up to 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>More than 1 year AED'000</i>	<i>Unspecified maturity AED'000</i>	<i>Total AED'000</i>
At 31 December 2025					
Assets					
Cash and balances with the UAE Central Bank	898,154	-	-	-	898,154
Due from other banks	35,611	-	-	-	35,611
Due from Head Office and overseas branches	3,673	56,657	-	-	60,330
Customers' indebtedness for acceptances	-	540,927	-	-	540,927
Loans and advances to customers	159,215	43,829	1,147,985	-	1,351,029
Investment securities	-	-	-	-	-
Property and equipment	-	-	-	8,766	8,766
Deferred tax asset	8,769	-	-	-	8,769
Other assets	-	3,190	-	-	3,190
Total Assets	1,105,422	644,603	1,147,985	8,766	2,906,776

	<i>Up to 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>More than 1 year AED'000</i>	<i>Unspecified maturity AED'000</i>	<i>Total AED'000</i>
At 31 December 2025					
Liabilities					
Due to banks	276,974	191,825	-	-	468,799
Due to Head Office and overseas branches	25,293	-	-	-	25,293
Deposits from customers	714,630	256,192	502,666	-	1,473,488
Liabilities under acceptances	-	541,165	-	-	541,165
Other liabilities	10,473	12,235	-	1,783	24,491
Net residual attributable to head office	-	-	-	373,540	373,540
Total Liabilities and Net residual attributable to head office	1,027,370	1,001,417	502,666	375,323	2,906,776

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.3 Liquidity risk (continued)

Residual contractual maturity of financial liabilities (continued)

	<i>Up to 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>More than 1 year AED'000</i>	<i>Unspecified maturity AED'000</i>	<i>Total AED'000</i>
At 31 December 2024					
<i>Assets</i>					
Cash and balances with the UAE Central Bank	764,693	-	-	-	764,693
Due from other banks	46,678	-	45,913	-	92,591
Due from Head Office and overseas branches	4,020	-	56,965	-	60,985
Customers' indebtedness for acceptances	-	364,840	-	-	364,840
Loans and advances to customers	152,730	225,254	629,252	-	1,007,236
Investment securities	-	-	-	83,007	83,007
Property and equipment	-	-	-	10,057	10,057
Deferred tax asset	13,985	-	-	-	13,985
Other assets	-	4,035	-	-	4,035
Total Assets	982,106	594,129	732,130	93,064	2,401,429

	<i>Up to 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>More than 1 year AED'000</i>	<i>Unspecified maturity AED'000</i>	<i>Total AED'000</i>
At 31 December 2024					
<i>Liabilities</i>					
Due to banks	-	-	-	-	-
Due to Head Office and overseas branches	78,985	-	-	-	78,985
Deposits from customers	1,077,997	244,926	289,202	-	1,612,125
Liabilities under acceptances	-	364,840	-	-	364,840
Other liabilities	9,835	16,043	-	3,032	28,910
Net residual attributable to head office	-	-	-	316,569	316,569
Total Liabilities and Net residual attributable to head office	1,166,817	625,809	289,202	319,601	2,401,429

21.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and credit spreads will affect the Branches' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The Bank-wide organisational set up for market risk management of the UAE operations involves the Board Risk Committee at the Board level and various committees at the management level.

21 Financial risk management (continued)**Board Risk Committee ('BRC')**

BRC is responsible for establishing a comprehensive and integrated framework for managing credit risk, market risk (including risks relating to interest rate, liquidity and foreign exchange) and operational risk. The Committee sets the policies on all risk issues.

Management Risk Committee ('MRC')

MRC is the highest ruling authority at management level on all risk related issues of the Bank. Its responsibilities include oversight on management of interest rate risk, liquidity risk and all market risks including foreign exchange risk.

UAE ALCO

The UAE ALCO includes, among others, the UAE Country Manager, Head of Treasury, Head of Finance and other members as decided by the UAE Country Manager as well as invitees from Global Treasury and Market Risk, Oman. UAE ALCO is responsible for reviewing reports on liquidity, interest rate risk, money market lines, foreign exchange during the monthly UAE ALCO meetings. It is also responsible for escalating market risk issues to Global ALCO through the Head of Market Risk (Oman).

Market Risk and Mid-Office, Oman

Considering the currently limited scale of the UAE operations, Market Risk (Oman) assists in formulating policies for UAE. Mid-Office (Oman) independently monitors the foreign exchange exposure against net open position limits based on reports prepared by UAE treasury operations.

Country Head, UAE

The Country Head is responsible for updating Market Risk (Oman), UAE ALCO and Global ALCO on all changes in regulatory environment and ensuring compliance to all internal and regulatory limits (set up by the Central Bank of Oman and the Central Bank of UAE) for foreign exchange, liquidity, interest rate, etc.

Exposure to interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the future profitability or the fair value of the financial instruments. The Branches are exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Branches manage this risk by matching the repricing of assets and liabilities through risk management strategies.

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current rate for a floating rate instrument.

The Branches' interest rate sensitivity position, based on the contractual repricing or maturity dates, whichever dates are earlier, is as follows:

Assets and liabilities repricing profile

	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>more than 1 year AED'000</i>	<i>Non-interest bearing AED'000</i>	<i>Total AED'000</i>
At 31 December 2025					
Assets					
Cash and balances with the UAE Central Bank	897,015	-	-	1,139	898,154
Due from banks	35,611	-	-	-	35,611
Due from Head office and overseas branches	-	56,657	-	3,673	60,330
Customers' indebtedness for acceptances	-	-	-	540,927	540,927
Loans and advances to customers	798,122	142,084	398,994	11,829	1,351,029
Investment securities	-	-	-	-	-
Property and equipment	-	-	-	8,766	8,766
Deferred tax asset	-	-	-	8,769	8,769
Other assets	-	-	-	3,190	3,190
Total assets	1,730,748	198,741	398,994	578,293	2,906,776

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.4 Market risk (continued)

Assets and liabilities repricing profile (continued)

	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>more than 1 year AED'000</i>	<i>Non-interest bearing AED'000</i>	<i>Total AED'000</i>
At 31 December 2025					
Liabilities					
Due to banks	368,771	100,028	-	-	468,799
Due to Head Office and overseas branches	25,293	-	-	-	25,293
Deposits from customers	292,076	274,675	503,747	402,990	1,473,488
Liabilities under acceptances	-	-	-	541,165	541,165
Other liabilities	-	-	-	24,491	24,491
Net residual attributable to head office	-	-	-	373,540	373,540
Total Liabilities and Net residual attributable to head office	686,140	374,703	503,747	1,342,186	2,906,776
Interest rate sensitivity gap	1,044,608	(175,962)	(104,753)	(763,893)	-
Cumulative interest rate sensitivity gap:	1,044,608	868,646	763,893	-	-
	<i>Less than 3 months AED'000</i>	<i>3 months to 1 year AED'000</i>	<i>more than 1 year AED'000</i>	<i>Non-interest bearing AED'000</i>	<i>Total AED'000</i>
At 31 December 2024					
Assets					
Cash and balances with the UAE Central Bank	760,948	-	-	3,745	764,693
Due from banks	92,591	-	-	-	92,591
Due from Head office and overseas branches	-	-	56,965	4,020	60,985
Customers' indebtedness for acceptances	-	-	-	364,840	364,840
Loans and advances to customers	123,003	397,544	472,464	14,225	1,007,236
Investment securities	-	-	-	83,007	83,007
Property and equipment	-	-	-	10,057	10,057
Deferred tax asset	-	-	-	13,985	13,985
Other assets	-	-	-	4,035	4,035
Total assets	976,542	397,544	529,429	497,914	2,401,429
Liabilities					
Due to banks	-	-	-	-	-
Due to Head Office and overseas branches	78,985	-	-	-	78,985
Deposits from customers	252,808	260,135	289,863	809,319	1,612,125
Liabilities under acceptances	364,840	-	-	-	364,840
Other liabilities	-	-	-	28,910	28,910
Net residual attributable to head office	-	-	-	316,569	316,569
Total Liabilities and Net residual attributable to head office	696,633	260,135	289,863	1,154,798	2,401,429
Interest rate sensitivity gap	279,909	137,409	239,566	(656,884)	-
Cumulative interest rate sensitivity gap:	279,909	417,318	656,884	-	-

An increase or decrease of 50 basis points in interest rate will respectively decrease or increase the profit/(loss) before income tax by AED 3,819 thousand (2024: AED 1,289 thousand).

21 Financial risk management (continued)

21.4 Market risk (continued)

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Branches have set limits on positions by currency. Positions are monitored on a daily basis to ensure positions are maintained within established limits.

At the reporting date, the Branches' had the following net (short)/long exposures denominated in foreign currency:

	2025	2024
	AED'000	AED'000
United States Dollar ('USD')	26,596	62,265
Omani Riyal	28	(191)
Euros	1	(22)
Pound Sterling	-	(13)
	26,625	62,039

AED is pegged against USD and therefore, the Branches' exposure is limited to that extent.

21.5 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

Operational risks emanate from every segment of the Branches' operations and are faced by all the business units.

The Branches cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Branches are able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the use of internal audit. Further, the Branches now have established an operational loss appetite statement to monitor losses under various operational loss categories and any breaches of set off thresholds are reported to the Board Risk Committee.

21.6 Capital risk management and Basel requirements

The Central Bank of the UAE sets and monitors capital requirements for the Branches. The Branches' regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes allocated capital, statutory reserve and retained earnings, after deductions for goodwill and intangible assets, if any.
- Tier 2 capital, which includes qualifying subordinated liabilities.

During the year ended 31 December 2025 and 2024, the Branches complied in full with capital requirements. All banks operating in U.A.E. are required to maintain a minimum capital adequacy of 13%. There have been no material changes in the Branch's management of capital during the year.

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

21 Financial risk management (continued)

21.6 Capital risk management and Basel requirements(continued)

Common Equity Tier 1 (CET1) Capital

	<i>2025</i>	<i>2024</i>
	<i>AED'000</i>	<i>AED'000</i>
Branch capital	390,375	390,375
Legal reserve	38,312	34,650
Fair value reserve	-	6,986
Placement from Head Office	27,300	27,300
Accumulated losses	(100,087)	(159,237)
CET1 capital before the regulatory adjustments and threshold deduction	355,900	300,074
Less: Regulatory deductions	(140)	(343)
Total CET1 capital after the regulatory adjustments and threshold deduction	355,760	299,731
Tier 2 capital		
Other Tier 2 capital (including General Provisions, etc.)	4,604	6,952
Total Tier 2 Capital	4,604	6,952
Total Regulatory Capital	360,364	306,683
Risk weighted assets		
Credit risk	1,464,174	898,118
Market risk	31	228
Operational risk	113,535	79,534
Total risk weighted assets ('RWA')	1,577,740	977,880
Total regulatory capital expressed as a % of RWA	22.8%	31.4%
Total tier 1 capital expressed as a % of RWA	22.5%	30.7%

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

22 Classes and categories of financial instruments

<i>At 31 December 2025</i>	<i>Amortized cost AED '000</i>	<i>FVOCI AED '000</i>	<i>Non-financial assets AED '000</i>	<i>Total carrying amount AED '000</i>
<u>Financial assets</u>				
Cash and balances with the UAE Central Bank	898,154	-	-	898,154
Due from banks	35,611	-	-	35,611
Due from Head Office and overseas branches	60,330	-	-	60,330
Customers' indebtedness for acceptances	540,927	-	-	540,927
Loans and advances to customers	1,351,029	-	-	1,351,029
Investment securities	-	-	-	-
	2,886,051	-	-	2,886,051
<u>Financial liabilities</u>				
Due to banks	468,799	-	-	468,799
Due to Head Office and overseas branches	25,293	-	-	25,293
Deposit from customers	1,473,488	-	-	1,473,488
Liabilities under acceptances	541,165	-	-	541,165
Other liabilities	24,491	-	-	24,491
	2,533,236	-	-	2,533,236
<i>At 31 December 2024</i>	<i>Amortized cost AED '000</i>	<i>FVOCI AED '000</i>	<i>Non-financial assets AED '000</i>	<i>Total carrying amount AED '000</i>
<u>Financial assets</u>				
Cash and balances with the UAE Central Bank	764,693	-	-	764,693
Due from banks	92,591	-	-	92,591
Due from Head Office and overseas branches	60,985	-	-	60,985
Customers' indebtedness for acceptances	364,840	-	-	364,840
Loans and advances to customers	1,007,236	-	-	1,007,236
Investment securities	-	83,007	-	83,007
	2,290,345	83,007	-	2,373,352
<u>Financial liabilities</u>				
Due to banks	-	-	-	-
Due to Head Office and overseas branches	78,985	-	-	78,985
Deposit from customers	1,612,125	-	-	1,612,125
Liabilities under acceptances	364,840	-	-	364,840
Other liabilities	28,910	-	-	28,910
	2,084,860	-	-	2,084,860

23 Segmental analysis

The Branches operate in one geographical area, the United Arab Emirates, and their results arise largely from commercial banking, treasury and investment activities. Since the capital of the Branches is not publicly traded, no segmental analysis has been presented.

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

24 Cash and cash equivalents

	2025	2024
	AED'000	AED'000
		<i>Restated*</i>
Cash and balance with UAE Central Bank	898,154	764,693
Due from banks, Head Office and overseas branches maturing within three months	39,284	50,698
	<u>937,438</u>	<u>815,391</u>

*Refer to note 32 for details on the restatement of comparative figures.

25 Related party transactions

The aggregate balances with related parties as of the statement of financial position date are as follows:

	2025	2024
	AED'000	AED'000
Placement from Head Office (note 16)	(27,300)	(27,300)
Due from Head Office and overseas branches - Demand	3,673	4,020
Due from Head Office and overseas branches – Term Placements	56,657	56,965
	<u>60,330</u>	<u>60,985</u>
Due to Head Office and overseas branches (note 10)	(25,293)	(78,985)
Management fee to Head Office	(3,113)	(2,979)

Transactions with related parties

The following amounts represent transactions with the Head Office and other branches which were customers of the Branches during the year. The terms of these transactions are approved by the Branches' management.

	2025	2024
	AED'000	AED'000
Interest expense on deposits	(2,063)	(3,692)
Management fees charged by Head Office (note 20)	(3,113)	(2,979)
Interest income on placements	3,395	3,847

ECL on related party balances is not significant.

Compensation of key management personnel

	2025	2024
	AED'000	AED'000
Salaries and other short term benefits	1,202	1,001
End-of-service benefits	207	157

26 Commitments and contingent liabilities

Commitments on behalf of customers for which there are corresponding liabilities by the customers concerned are as follows:

	2025	2024
	AED'000	AED'000
Letters of credit	42,096	22,313
Letters of guarantee	305,579	178,517
	<u>347,675</u>	<u>200,830</u>

As at 31 December 2025, the provision for ECL against the above exposures amounted to AED 1.8 million, (2024: AED 3.0 million) is classified under other liabilities (note 12).

27 Customers' indebtedness for acceptances and liabilities under acceptances

Customers' indebtedness for acceptances represents the accepted documented liability amount which is recoverable from the respective customers of the Branches at the reporting date. Liabilities under acceptances represents bills of exchange, letters of credit etc where the Branches have accepted the liabilities under documentary credits at the reporting date. These assets and liabilities have been presented on a gross basis on the face of the statement of financial position as the Branches do not have a legal right of set-off.

a. Customers' indebtedness for acceptances

	2025	2024
	AED'000	AED'000
Customers' indebtedness for acceptances	541,165	364,840
Less: allowance for credit losses	(238)	-
Net customers' indebtedness for acceptances	540,927	364,840

b. Liabilities under acceptances

	2025	2024
	AED'000	AED'000
Liabilities under acceptances	541,165	364,840

28 Legal proceedings

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Branches' have proper controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Branches' make adjustments to account for any adverse effects which the claims may have on its financial standing. Based on the information available, no material adverse impact on the financial position of the Branches are expected to arise from legal claims as at 31 December 2025 other than to the extent already provided, hence no additional provision for any claim needs to be made in these financial statements.

29 Fair value of Financial Instruments

Based on the valuation methodology outlined below, the fair values of all financial instruments at 31 December 2025 and 31 December 2024 are considered by the Management not to be materially different to their book values.

Estimation of fair values

The following summarizes the major methods and assumptions used in estimating the fair values of assets and liabilities:

29.1 Loans and advances to customers

Fair value is calculated based on discounted expected future principal and interest cash flows. Loan repayments are assumed to occur at contractual repayment dates, where applicable. For loans that do not have fixed repayment dates or that are subject to prepayment risk, repayments are estimated based on experience in previous periods when interest rates were at levels similar to current levels, adjusted for any differences in interest rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of loans are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of loans reflect changes in credit status since the loans were made and changes in interest rates in the case of fixed rate loans.

29 Fair value of Financial Instruments (continued)

29.2 Investments

Fair value is based on quoted market prices at the reporting date without any deduction for transaction costs. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

29.3 Current account balances due to and due from Banks

The carrying amount of current account balances due to and from Banks was considered to be a reasonable estimate of fair value due to their short term nature.

29.4 Bank and customer deposits

For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The value of long-term relationships with depositors is not taken into account in estimating fair values.

29.5 Other financial instruments

No fair value adjustment is made with respect to credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams materially reflect contractual fees and commissions actually charged at the reporting date for agreements of similar credit standing and maturity.

Foreign exchange contracts are valued based on market prices. The market value adjustments in respect of foreign exchange contracts are included in other assets and other liabilities.

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. Other unquoted equities are valued based on information provided by fund managers, investee financial information and current purchase prices.

The Branches measure fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Valuation models

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As of 31 December 2025, the financial instruments recorded at fair value is AED NIL (2024: AED 83,007 thousand all at level 1). There are no financial assets valued at level 3 on the branch's books.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

30 Derivatives

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments may dependent on movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value.

The Bank uses the following derivative instruments for non-hedging purposes:

Forwards are contractual agreements to either buy or sell a specified currency or financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates and indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Options are contractual agreements that convey the right, but not the obligation, to either buy or sell a specific amount of a commodity, foreign currency or financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The table below shows the positive and negative fair values of derivative financial instruments entered with and on behalf of customers, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

31 December 2025	Positive fair value AED '000	Negative fair value AED '000	Notional amount AED '000	Notional amounts by term to maturity		
				Within 3 months AED '000	3 - 12 months AED '000	More than 1 year AED '000
Interest rate swaps	1,539	(1,539)	566,497	0	0	566,497
Forward foreign exchange purchase contracts	50	-	221,860	128,355	1,727	91,778
Forward foreign exchange sales contracts	-	(98)	221,860	128,355	1,727	91,778
Total	1,589	(1,637)	1,010,217	256,710	3,454	750,053

31 December 2024	Positive fair value AED '000	Negative fair value AED '000	Notional amount AED '000	Notional amounts by term to maturity		
				Within 3 months AED '000	3 - 12 months AED '000	More than 1 year AED '000
Interest rate swaps	-	-	-	-	-	-
Forward foreign exchange purchase contracts	145	-	210,202	116,640	1,784	91,778
Forward foreign exchange sales contracts	-	(254)	210,202	116,640	1,784	91,778
Total	145	(254)	420,404	233,280	3,568	183,556

31 Subsequent Events

Allocated Capital Increase

The allocated capital of the UAE branches has been increased by AED 95,403 thousand from AED 390,375 thousand to AED 485,778 thousand as at 20 February 2026 pursuant to the Board of Directors approval dated 28 January 2026.

Ongoing Regional Conflicts

Event Identification:

- Following the balance sheet date of 31 December 2025, there has been a notable escalation in geopolitical risks in the region within the bank's primary operating markets.
- Although these conditions were not present at year-end, recent developments have increased volatility in local supply chains and impacted broader economic conditions including heightened volatility in global oil prices.

Accounting Treatment:

- As these events represent conditions that arose after the reporting period, they are considered non-adjusting events.
- Accordingly, no adjustments have been made to the recognized amounts in the financial statements.

Financial Impact:

- The Bank is actively monitoring the situation to evaluate the potential impact on its future results of operations and financial position.
- At this time, the bank cannot reliably estimate the quantitative effect of these events, and their potential impact may or may not be material to the Bank's financial condition or results of operations.

Apart from the above, there are no other events which are expected to have a material impact on the financial statements.

32 Comparative figures

Reclassification of "Statutory reserve with CB UAE" from operating activities to Cash and Cash Equivalents in the Statement of cash flows:

In prior periods, the Branches had classified changes in "Statutory reserve with CB UAE" within "Net cash generated from operating activities". According to the Central Bank of the UAE regulations, the Branches are allowed to draw on the cash reserve with the Central Bank of the UAE on any day up to 100%, while ensuring that, on average, it meets the reserve requirements over a 14-day reserve maintenance period. According to IAS 7 – Statement of cash flows, cash comprises cash on hand and demand deposits.

For the year ended 31 December 2025, the Branches have reassessed the nature of "Statutory reserve with CB UAE" and concluded that the balance is available on demand and meets the definition of cash as set out under IAS 7, and therefore should have been classified as cash and cash equivalents in the statement of cash flows. As such, the comparative figures in the statement of cash flows for the year ended 31 December 2024 have been restated in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". There is no impact on the statement of financial position or statement of comprehensive income as a result of this restatement.

National Bank of Oman (SAOG), UAE Branches

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2025

32 Comparative figures (continued)

- a. The impact of the restatements on the statement of cash flows for the year ended 31 December 2024 is as follows.

	31 December 2024		
	As previously reported AED'000	Impact of restatements AED'000	Restated AED'000
<i>Operating activities</i>			
Changes in statutory reserve with CB UAE	13,920	(13,920)	-
Net cash generated from/(used in) operating activities	319,022	(13,920)	305,102
Net increase/(decrease) in cash and cash equivalents	248,832	(13,920)	234,912
Cash and cash equivalents at the beginning of the year	530,140	50,339	580,479
Cash and cash equivalents at 31 December 2024	778,972	36,419	815,391
Cash and cash equivalents at 1 January 2025	778,972	36,419	815,391

- b. *The Branches have restated the balance as at 31 December 2024 for cash and cash equivalents in note 24 as follows:*

	31 December 2024		
	As previously reported AED'000	Impact of restatements AED'000	Restated AED'000
Cash and balance with UAE Central Bank	764,693	-	764,693
Due from banks, Head Office and overseas branches maturing within three months	50,698	-	50,698
Statutory deposit with UAE Central Bank	(36,419)	36,419	-
	778,972	36,419	815,391